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Nazarian, Alireza, Atkinson, Peter, Foroudi, Pantea ORCID logo ORCID:
<https://orcid.org/0000-0003-4000-7023> and Dennis, Karen (2019) Finding the right
management approach in independent hotels. *International Journal of Contemporary
Hospitality Management*, 31 (7) . pp. 2862-2883. ISSN 0959-6119 [Article]
(doi:10.1108/IJCHM-08-2018-0700)

Final accepted version (with author's formatting)

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Finding the Right Management Approach in Independent Hotels

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Nazarian, A., Atkinson, P., Foroudi, P., and Dennis, K. (2019) Finding the Right Management Approach in Independent Hotels, *International Journal of Contemporary Hospitality Management*

Finding the Right Management Approach in Independent Hotels

Abstract

Purpose

This study identifies factors that managers can influence to improve effectiveness by examining the relationship between leadership and effectiveness in small and medium sized independent hotels.

Design/methodology/approach

272 valid questionnaires were collected from managers of 83 small and medium sized independent hotels in the Netherlands using selective and snowball sampling techniques. A two-stage structural equation modelling approach was used to test the hypotheses.

Findings

Surprisingly, in contradiction to previous studies neither transactional nor transformational leadership had a direct effect on organisational effectiveness. Instead, the effect was through the intervening variables of ability to acquire resources and reward mechanisms.

Research limitations/implications

The contradiction between this and previous studies may be due to the constructs used in this study not having the universal applicability that is customarily assumed and further investigation is needed.

Practical/implications

Our study suggests that managers in this type of hotel, first, should be adaptable in their leadership style and not rely on transactional leadership alone; second, managers must pay attention to resource acquisition and, third, retain staff by using the right reward mechanism.

Originality/value

This study contributes to the literatures of leadership and effectiveness in small and medium sized independent hotels by being the first to focus on the impact of ability to acquire resources and reward mechanism. It also makes an important contribution to the growing body of hospitality literature that probes the supposed universal validity of organisational studies constructs.

Keywords: CVF, effectiveness, leadership, resource acquisition, rewards mechanism, independent hotels

Introduction

Independent hotels are a significant part of the hotel industries of many countries, including the USA, UK, Italy and the Netherlands (Horwath HTL, 2017; The Highland Group, 2017). In the Netherlands, though the chains are an important part of the industry, independents are responsible for 40% of general revenue. In 2017, out of 9,700 hotels 3,510 were independent domestic hotels and this is expected to rise approximately 20% by 2025 (Horwath HTL, 2017). Thus, the position of independent hotels in the Netherlands is typical, which is why it was chosen as the source of data for this study which examines small and medium sized independent hotels.

The hotel industry is experiencing an increasingly competitive market place where smaller, independent hotels must compete with hotels belonging to chains (Nazarian, *et al.*, 2017) that have access to greater resources (Kempster *et al.*, 2018). Whereas chain hotels can leverage economies of scale, the smaller independents need to take care to obtain the most from their resources (Madera *et al.*, 2017). Thus, the problem faced by managers of smaller, independent hotels is how to focus their efforts to create the most organisational effectiveness using the resources available.

According to Avolio and Bass (2004) leadership style is expressed through mode of reward and Kempster *et al.* (2018) argue that acquisition of resources is an important function of leadership. Thus, we identified ability to acquire resources and reward mechanisms as factors that may be related to leadership style and influence effectiveness in independent hotels. Perhaps the most important resource is the human resource, so hotel managers need to focus their attention on their employees who add value for their customers (García-Lillo *et al.*, 2018). Obtaining the best return on the human resource is a constant problem in the hospitality industry since this is a labour intensive service industry where employees are often expected

to work long hours for low wages (González, 2004). Consequently, often there is limited motivation, a high turnover of staff and low incentive to remain in the industry (Karatepe and Olugbade, 2009) leading to high recruitment and training costs and low productivity (Bustamam *et al.*, 2014). Therefore, hotel managers also need to gain insights into matters they can affect directly (Zhu *et al.*, 2005), rather than on the quantitative metrics of performance such as productivity or profitability, as may be appropriate in other industries (Domínguez-Falcón *et al.*, 2016).

The majority of studies of organisational performance or effectiveness in the hotel industry are based on data collected from large hotels and chains (Nazarian *et al.*, 2017). Therefore, there is a lack of knowledge about how small and medium size independent hotels can enhance organisational performance/effectiveness and what the impact of various antecedents might be, including leadership styles and reward mechanisms or about their ability to acquire resources.

The aim of this research is to test the relationship between the two active leadership styles and effectiveness in the context of small and medium sized independent hotels and how this relationship is affected by their ability to acquire resources and reward mechanisms. We expected this to show which of the leadership styles had the most positive effect on effectiveness and what the roles of the other two variables might be. To achieve the research aim, data were gathered in the Netherlands which is one of the major tourist destinations in Europe and has many small and medium sized independent hotels that can provide rich data to illuminate these issues.

However, our results showed surprising inconsistencies with the existing literature. Despite the findings of previous studies, there were no direct relationships between either transformational or transactional leadership and effectiveness, though the relationships did exist when the two intermediating factors were introduced. We discuss this discrepancy and suggest that the answer may lie in the nature of the Competing Values Framework (CVF) construct which was

used to measure effectiveness or in the construct used to measure leadership style. Significantly, our findings suggest that these constructs may not be as universal as has been assumed and that they may be culturally variable so further research is needed to understand their cultural relativity and its consequences. This study, therefore, simultaneously challenges two fundamental assumptions of previous research: that size is a relatively unimportant factor in understanding hotel organisations and that constructs that have previously been assumed to be universal are not.

The contribution of this study is that it shows the organisational effectiveness is not directly influenced by the leadership styles chosen by managers but it is related to leadership style through managers' ability to acquire resources and reward mechanisms put in place by them. Additionally, we show that the main constructs used in this study require further investigation before being employed in a variety of contexts.

Theory and Hypotheses Development

This section first describes the two main constructs used in this study: leadership and organisational effectiveness. Then, what is known about the relationship between them is reviewed and the overlap between effectiveness and performance is pointed out. This leads to our first two hypotheses concerning the relationships between these constructs. Next, the selection of Reward Mechanisms as a factor in the relationship between leadership and effectiveness is justified and the construct is described. The next three hypotheses are proposed concerning its intermediating role between the two main constructs. Finally, the selection of Ability to Acquire Resources as a factor in the relationship between leadership and effectiveness is justified and this construct also described. Three hypotheses are proposed concerning its intermediating role between the two main constructs.

Leadership

Transformational and transactional leadership styles are acknowledged to have a major influence on organisational effectiveness in the hotel industry (Patiar and Wang, 2006; Dai *et al.*, 2013). Therefore, research in hospitality management has mainly focused on these leadership styles, which were introduced by Burns (1978) and developed into a full range theory by Bass (1985). It is associated with an often used instrument, the Multifactor Leadership Questionnaire (MLQ) (Avolio and Bass, 2004). In this model, leadership styles are categorised as active or passive. The passive leadership style, or laissez-faire, is often thought to describe a situation where no management is being done and, therefore, it was decided to leave it out of this study.

The active leadership styles are further categorised as transactional and transformational. Transactional leadership is characterised by an understanding between leaders and their followers that is contractual in nature where each side receives benefits from the other and has responsibilities towards the other. With the transformational leadership style, however, the leader inspires followers with a vision of a shared better future where the followers themselves are transformed in the effort of making the vision a reality. In transactional leadership there is the principle of rewards, or penalties, for followers whereas in transformational leadership there is the principle of inspiration for followers who make a personal commitment of time and effort. Although originally conceived as two poles of a continuous scale, so that more of one necessarily entailed less of the other, Bass reconceptualised them as independent dimensions so that at any time there might be any degree of either of them present (Bass, 1985). Researchers have tended to show more interest in the transformational leadership style because it helps to achieve higher organisational performance/effectiveness than transactional leadership because it encourages employees to go beyond what is expected whereas the result of transactional leadership is only the expected outcomes (Avolio *et al.*, 1999).

However, there have been a small number of studies that have looked at the influence of both leadership styles on performance and effectiveness in smaller organisations but producing an overall picture that is inconclusive. In the hospitality industry Erkutlu (2008) found, from a study of managers and non-managers in Turkey, that the transformational leadership style was positively related with organisational effectiveness but the study sampled only boutique hotels. More generally, studies of small and medium sized organisations have been contradictory. For example, a study by Masadeh et al. (2016) of employees in a non-profit organisation in Jordan found that both transformational and transactional leadership styles have a significant positive impact on job performance and, in turn, on firm performance/effectiveness. However, in a study of small Australian enterprises, Obiwuru et al. (2011) found that both leadership styles had a positive effect on performance but only the transactional style had a significant effect. Thus, the literature does not produce a clear picture of the effect of leadership style on effectiveness in small and medium sized hotels but, from the evidence available, we expected transformational leadership would have a direct relationship with effectiveness and there might also be a direct relationship between transactional leadership and effectiveness.

CVF Model of Effectiveness

Organisational effectiveness refers to the factors that affect success in producing desired organisational outcomes through organisational resources including human resources. In the past, scholars preferred to use the term organisational performance which refers to financial and economic measures including profitability (Harel *et al.*, 2010). However, this type of measurement has proven to be unsatisfactory as it considers only one aspect of the human resource (Chang and Huang, 2010). Since businesses hire the whole person and not just part of a person it is important to also consider other factors like subjective psychological wellbeing (commitment, satisfaction and etc) in measuring organisational success which in turn contribute to organisational performance.

According to Holbeche and Susan (2018), the old definition of organisational effectiveness about how to deliver value for shareholders must be reviewed and replaced by a new definition which includes ability to adapt to a changing environment. The CVF model of organisational effectiveness includes this capacity for flexibility and how organisations achieve greater effectiveness through adaption to changes during their life cycle (Cameron and Quinn, 2011). Therefore, the effectiveness construct used in this research is the CVF model first described by Quinn and Rohrbaugh (1983) which categorised factors of effectiveness according to two dimensions producing a handy quadrant (Cameron and Quinn, 2011).

The dimensions are: an internal versus external focus and control versus flexibility. These dimensions are arranged at ninety degrees to each other and the authors termed this a “spatial model”. Thus, the two dimensions of CVF produces a quadrant composed of four versions of organisational effectiveness as shown in Figure 1.

<<Insert Figure I: CVF Models of Effectiveness (adapted from Cameron and Quinn, 2011, p.53)>>

This model was subsequently developed by Quinn and others so that it simultaneously includes effectiveness, organisational culture and leadership and, in recent years, has become considered to be primarily a theory of organisational culture on which many new studies are published annually (Cameron and Quinn, 2011; Denison *et al.*, 2012; Nazarian *et al.*, 2015).

Leadership and Effectiveness

Although CVF contains a typology of leadership styles, it was decided not to use these in this research since they would only produce tautologous results. Instead, Bass and Avolio's (1994) often used construct of leadership styles was more suitable.

Effectiveness and performance are closely related, overlapping constructs since, for example, according to Kaplan and Norton (1996) performance includes effectiveness and financial

factors. Studies have shown that both are affected by leadership style which is a significant factor in the success, or otherwise, of organisations (Wang *et al.*, 2011; Salem, 2015). Many scholars such as Judge and Piccolo (2004), and Braun et al. (2013) have studied leadership as an ingredient of strategy and treat leadership style, competence, motivation and culture as assets which help create added value and organisational strength and can help to orchestrate processes and employees to create improved organisational performance. Salem (2015) studies the impact of transformational leadership style on organisational performance in five star hotels through burnout and job stress finding there is a negative relationship between transformational leadership and job stress in the cases of guest contact and non-guest contact employees, that eventually produces a positive impact on organisational effectiveness. Braun et al. (2013) argue there is a strong positive relationship between a team's perception of transformational leadership and team performance. On the other hand, Kalsoom et al. (2018) also found a positive impact of both transformational and transactional leadership styles on employees' performance and, in turn, on organisational effectiveness.

Given this evidence pointing to a positive relationship between both transactional and transformational leadership and organisational effectiveness, the following hypotheses are proposed:

H1: There is an association between transformational leadership style and organisational effectiveness.

H2: There is an association between transactional leadership style and organisational effectiveness.

Role of Reward Mechanisms

Organisations, regardless of their size or industry, invest a large proportion of their financial resources in rewards to attract, motivate and retain employees and this has a direct effect on

organisational effectiveness (Antoni *et al.*, 2017). There are several studies in different disciplines and industries that show there is direct relationship between extrinsic rewards, such as financial incentives, with employees' motivation and performance (Cerasoli *et al.*, 2014; Garbers and Konradt, 2014). Due to the nature of employment in the hotel industry, with its long working hours, sessional employment, lack of status, low pay, low job security and limited training and development, it has a high level of staff turnover (Shum *et al.*, 2018). As a result, there is a need for hotel managers to look for effective ways, first, to enhance employees' performance and, second, to reduce turnover (Chen and Wu, 2017). The reward mechanisms is an obvious way for managers to motivate their staff and, for this reason, it has also gained attention (Bustamam *et al.*, 2014). For example, Landry *et al.* (2017) investigate the impact of financial reward on organisational performance and found that fairly distributed bonuses make employees feel more competent and autonomous, improving work performance.

According to Bass (1998), the transactional leadership style is focused on the effort-reward relationship and exchange between leaders and subordinates so that leaders provide both tangible and intangible support for subordinates and in return they expect maximum effort and performance (Kalsoom *et al.*, 2018). Tangible support in most cases is directly related to extrinsic reward systems like financial incentives which have direct impact on employees' motivation and, in turn, performance (Garbers and Konradt, 2014; Landry *et al.*, 2017). On the other hand, with the transformational leadership style employees have a sense of belonging and being part of the organisation's success, typically expecting to be rewarded both financially and non-financially (Bass, 1998; Chen and Wu, 2017). Intangible support, which is related to intrinsic reward mechanisms, also have a major effect on employees' motivation and, in turn, on their performance (Cerasoli *et al.*, 2014)

Thus, these hypotheses are proposed:

H3: There is positive association between transformational leadership style and reward mechanisms.

H4: There is positive association between transactional leadership style and reward mechanisms.

The resource based view is a strategic tool that assumes that a business builds a unique set of core competencies over a period of time and it is this that gives it a comparative advantage in its market (Barney, 1991; Nason *et al.*, 2018). These competencies are based on an ability to find and use resources and require both tacit and explicit knowledge in the business's workforce (Nason *et al.*, 2018). Prominent among these resources for the hotel industry is the human resource and a hotel business's level of HR capability is one of its core competencies (Oppong, 2018).

An aspect of HR capability is the appropriate use of the reward mechanism. There have been several investigations of the effect of the rewards on different organisational elements such as effectiveness, creative performance or job satisfaction in hotel management (Domínguez-Falcón *et al.*, 2016; Buil *et al.*, 2018; García-Lillo *et al.*, 2018), selecting the right reward mechanisms that help to improve employee performance, which in turn enhance organisational effectiveness, has proved to be very difficult in this industry (Putra *et al.*, 2017). Having said that, studies show that both financial and non-financial rewards have positive impact on employee job satisfaction and consequently on performance (Bustamam, *et al.*, 2014). The meta-analysis of Byron and Khazanchi (2012) found a positive relationship between creativity-contingent reward mechanisms and creative performance, which in turn had a positive impact on organisational effectiveness. In this study reward systems are defined as plans and structured approaches “that have predetermined criteria and standards, as well as understood policies for determining and allocating rewards” (Greene, 2011, p.219) for employees who act in a desirable manner. Cerasoli *et al.* (2014), in a meta-analytic study of extrinsic motivation

(rewards and incentives) and intrinsic motivation (task enjoyment) with performance, found that, although both incentives and intrinsic motivation are associated with performance, incentives show stronger impact. In view of these findings we propose that:

H5: There is a positive association between reward mechanisms and organisational effectiveness.

Role of Ability to Acquire Resources

The ability to acquire resources has often been associated with organisational effectiveness (Zhu *et al.*, 2005; Nazarian and Atkinson, 2015) and the resources in question may be physical, human or financial (Barney, 1991; Nason *et al.*, 2018). Kempster *et al.* (2018) argue that to develop entrepreneurial leadership capabilities in SMEs where there could be an effective small and medium sized business with higher performance and effectiveness, there is a need for leaders to understand the three types of resource, namely human, social and institutional. In some versions of the organisational effectiveness construct ability to acquire resources has been included as a component (Nazarian and Atkinson, 2015). In this study it is treated as a separate construct because resources are usually of immediate concern to hotel managers, particularly the human resource, and are a major component of their competitive advantage (Domínguez-Falcón *et al.*, 2016; Buil *et al.*, 2018), so it is likely that the ability to acquire resources is affected by leadership style. Hence:

H6: There is positive association between transformational leadership style and ability to acquire resources.

H7: There is positive association between transactional leadership style and ability to acquire resources.

Typically, the resources available to organisations in the hospitality industry are insufficient due to both material and financial limitations (García-Lillo *et al.*, 2018); therefore, managers

need to find ways to access the available scarce resources and utilise them to maximise organisational performance (Madera *et al.*, 2017). A successful leader should be able to manage both the physical and human resources to meet the organisation's aims and objectives also to enhance employees' job performance of (Buil *et al.*, 2018). Barney (1991) argues there is a direct relationship between acquiring resources and organisational effectiveness and efficiency through implementing the right strategies. Thus, there is a need to discover how resource acquisition is related to effectiveness as a whole; therefore, we propose that:

H8: There is a positive association between ability to acquire resources and organisational effectiveness.

A conceptual framework was developed for this study that proposes the relationships between the five constructs used: transactional and transformational leadership styles, ability to acquire resources, reward mechanisms and organisational effectiveness. Figure 2 shows the conceptual model and the possible relationships to be investigated.

<<Insert Figure II: The Conceptual Model>>

Empirical Investigation

Method

A self-administered survey was employed to collect data on hotel managers' perceptions of the five constructs: transformational and transactional leadership; ability to acquire resources; reward mechanisms and organisational effectiveness.

Survey Procedure and Sample

To test the hypotheses proposed for this study, a sample of hotel managers from two major cities in the Netherlands, Amsterdam and Rotterdam, was approached. Hotel managers were selected as the respondents because of their knowledge of leadership style, reward mechanisms and resource availability (Nazarian *et al.*, 2017). In the first stage 178 hotels were selected

using industry directories and tourist office hotel lists in both Amsterdam and Rotterdam. After initial contact, 83 agreed to participate in the study. The hotels chosen for this study were categorised according to number of employees as: micro-enterprise (less than 10), small (10-49) and medium (50-259). In this study the micro and small are grouped together and referred to as small hotels. Data were collected between November 2015 and the end of January 2016 and between June 2016 to the end of August 2016, which were the times that normally hotels experience their highest demand for rooms. In total, 954 questionnaires were sent to managers working in those hotels out of which 270 useable questionnaires were returned and analysed. The survey consisted of questions related to leadership style, ability to acquire resources, reward mechanisms and organisational effectiveness. To increase the response rate, the authors collected data both online and by hard copy.

The researchers assured the participants regarding the confidentiality of data, which helped to reduce the non-response rate (Sekaran, 2003). To examine non-response bias, the first 50 completed questionnaires were taken as early respondents and the last 50 were taken as late respondents. The results show that the importance value in any variable was not less than or equal to 0.5 probability value, which is unimportant; so, there was no statistical difference between early and late respondents.

The unit of analysis in the current research was the individual and their perception of their organisations' leadership style, reward mechanisms and ability to acquire resources. Of the organisations from which data were collected, 8.5% were micro 36.4% were small sized and 54.8% were medium sized.

Among the managers of these organisations, 65.8% of the participants were male; 44.5% were aged between 25 and 34 and 29.4% were between 35 and 44 years old. The responses showed that 36% were educated to Bachelor's degree level and 36.4% to Master's degree level. Of

their job positions, 29% were managers and 26.1% were CEOs. Table I shows the respondents' characteristics.

<<Insert Table I: Demographic Characteristics>>

Instrument

The research survey item measurements were adapted from instruments employed in past research. Measures assessing leadership style were adopted from Bass and Avolio (1997) that encompass two functional dimensions transformational and transactional. The reward mechanisms construct was measured based on Huselid (1995), Lawler (2003) and Rynes et al. (2005). Measures assessing ability to acquire resources were adopted from Cameron (1978). A scale measuring organisational effectiveness was borrowed from the CVF literature (Cameron, 1978; Cameron and Quinn, 2011). The complete scales are provided in the Appendix.

As this study employed one self-report questionnaire to collect data on all the research constructs, common-method-bias may be present. To identify the potential common-method-bias, we employed Harman's one-factor examination following Konrad and Linnehan's (1995) and Simonin's (1997) recommendations. The outcome of the principal component factor analysis produced seven components with eigenvalues exceeding one.

Data Analyses and Results

Following Hair et al. (2006), the two-stage approach in SEM (structural equation modelling) enables the examination of the significance of all pattern coefficients and usually is a suitable model for formal judgments of the substantive model of interest with the next likely theoretical alternatives.

In the first stage, exploratory factor analysis (EFA) was used to analyse the interrelationships between the variables, and to define these variables in terms of their common underlying

factors (Hair *et al.*, 2006). Four items were excluded (TFRM 9, OE2, OE4 and OE5) because of cross-loading and low reliability (Hair *et al.*, 2006). To achieve appropriate factor analysis results, Kaiser-Meyer-Olkin (KMO) was employed to measure the sampling adequacy ($0.861 > 0.6$). Additionally, Bartlett's test of sphericity, which highlights the relationships between the measurement items, produced results greater than 0.3, which suggests suitability for EFA (Hair *et al.*, 2006; Norusis, 1993). In addition, the associations between the measurement items are significant and deliver a parsimonious set of factors (Tabachnick and Fidell, 2007). All the scales showed acceptable reliability (0.766 through $0.969 > 0.70$) and satisfied the requirements of the psychometric reliability test (Hair *et al.*, 2006; Nunnally, 1978) (Table II).

**<<Insert Table II: Study constructs, scale items, descriptive statistics, factor loadings
and reliabilities>>**

In the second stage, the data was tested by analysis of moment structures (AMOS) 21 using Maximum Likelihood (ML). Confirmatory factor analysis (CFA) was employed to measure the construct uni-dimensionality of the multi-item scale's internal consistency. Examining the discriminant validity identified that the constructs are truly distinct and correlations between the factors were less than the suggested value of 0.92 (Kline, 2005).

Convergent validity was tested using AVE (average variance extracted). The AVE for each construct ranged from 0.618 to 0.938. Having said that, there is agreement between scholars that an AVE of 0.5 or higher shows acceptable convergent validity. The composite reliability measures were above 0.702. As a result, the measures satisfied the recommended reliability criteria (Hair *et al.*, 2006).

To assess the potential non-response bias, we employed Mann-Whitney U-test to check the differences between early and late respondents (Lambert and Harrington, 1990; Podsakoff *et*

al., 2003; Malhotra *et al.*, 2006). Based on the proportions of the returned survey, we collected the first 50 observations and 50 late respondents. The results illustrate that the significant value for any items was not less than or equal to a .5 probability value, which is insignificant and there is no statistically key difference among early and late respondents. Thus, non-response bias is not a concern in this study.

To examine the common method bias, we used Harman's one-factor test which was recommended by the previous scholars (Harman, 1967; Lindell and Whitney, 2001; Podsakoff *et al.*, 2003; Malhotra *et al.*, 2006) by employing chi-square difference among the original and fully constrained model. The results suggested that the two produced models were significantly different and share a variance. The main results were tested without any consideration of method biases.

In the next stage of analysis, the structural model fit was assessed through goodness of fit indices (IFI = 0.928; CFI = 0.927; RMSEA = 0.053; TLI = 0.921). The results suggested an acceptable fit to the data and confirm the uni-dimensionality of the measures (Anderson and Gerbing, 1988). To determine the linearity and multi-collinearity of the constructs, a correlations matrix was applied which was calculated using Pearson's correlation at the 0.01 significance level (2-tailed) (Table II). Subsequently, to test the research hypotheses, hierarchical linear regression analysis was used. In view of the directional nature of the research hypotheses, the tests were all one-tailed.

<<Insert Table III: Descriptive statistics and correlation matrix >>

The standardised regression path between transformational leadership and organisational effectiveness (H1: $\beta=.284$, $t=1.656$, $p .098$) and transactional leadership and organisational effectiveness (H2: $\beta=-.179$, $t=-.871$, $p .384$) were rejected because the results were not statistically significant. H3 and H4 propose a direct effect of transformational and transactional

leadership on reward mechanisms ($\beta=.638$, $t=3.334$; $\beta=.810$, $t=2.283$). H5 addresses the influence of reward mechanisms on organisational effectiveness ($\beta=.504$, $t=6.484$). H6, which proposes the direct effect of transformational leadership on ability to acquire resources ($\beta=.516$, $t=3.321$), was statistically supported. The standardized regression path between transactional leadership and ability to acquire resources (H7: $\beta=.241$, $t=1.287$, $p=.198>.05$), was not significant and so was rejected. H8, which relates to the relationship between ability to acquire resources and organisational effectiveness ($\beta=.224$, $t=2.829$), was significant. The results of the validated structural model are shown in Figure III.

<<Insert Figure III: The Structural Model>>

<<Insert Table IV: Standardized Structural Results>>

Discussion and Conclusion

Conclusions

The four constructs employed in this study are tried and tested in the context of larger organisations, including hotels. Our results show these constructs do not behave in the expected way when applied in the context of small and medium sized hotels. Our results are useful and interesting for practitioners but also remarkable and revealing from a theoretical perspective. This study not only makes a contribution to the hospitality literature, with consequences for practitioners, but also to the literature of questioning fundamental assumptions, with consequences for organisational theory (Sandberg and Alvesson, 2011).

For the hospitality literature, surprisingly our results indicate that both transformational and transactional leadership styles show no direct relationship with organisational effectiveness in the case of small and medium sized independent hotels in the Netherlands. This was not expected because previous studies clearly indicate a significant impact of leadership styles on organisational effectiveness in the hotel industry (Patiar and Wang, 2006; Chen and Wu, 2017).

It is a useful contribution since it shows that the general leadership style is not, in itself, a way for managers of small and medium sized hotels to influence organisational effectiveness but it indicates two specific factors these managers can use to improve effectiveness (Tracey, 2014; Luo *et al.*, 2017; Buil *et al.*, 2018).

Our results also show that not only transformational leadership but also transactional leadership has significant influence on effectiveness, though, in this study only through reward mechanisms and not through ability to acquire resources. This suggests that transformational leadership is useful with a wider range of other factors and, perhaps, that a combination of transformational and transactional styles should be used. But, this is a matter that requires further research.

From a theoretical standpoint these anomalous results call for careful consideration. The most obvious source of the anomaly is the in the nature of the data. Customarily data has been gathered from larger hotels (Karatepe and Karadas, 2015; Domínguez-Falcón *et al.*, 2016) but, for this study, data were gathered from small and medium sized hotels, so this data may be considered to be marginal compared to the more usual sources of data. On the other hand, this data might be considered as the opposite of marginal since small and medium sized hotels comprise a larger share of the market than the chains.

Additionally, on inspection of the demographic data gathered from the respondents, it may also be significant that most did not originate in the Netherlands but came from developing countries. It is likely that managers from developing countries will have a less legal-rational, as opposed to a traditional, cultural mind-set (Inglehart, 1997) and that this would be more apparent in small and medium sized hotels where the individual manager can have more of an effect on the organisational culture than in a larger one (Nazarian and Atkinson, 2013; Nazarian *et al.*, 2015).

It seems, therefore, that either the leadership construct or the effectiveness construct, or both, are culturally variable and certainly more so than has been supposed hitherto. It is important to identify the nature of this variability since it impacts our understanding of the effective management of small and medium sized hotels.

Bass and Avolio (1994) insist that their full range theory of leadership has been successfully employed in research all around the world (Zopiatis and Constanti, 2010; Chen and Wu, 2017). Burns believed that these types of leadership are fundamental to humanity and may be found in all societies at all times (Bass, 1997; Burns, 1978). Numerous studies of leadership have investigated the impact of transformational leadership on different aspects of the organisation including organisational effectiveness and performance (Braun *et al.*, 2013; Patiar and Wang, 2016) but the impact of transactional leadership on these has been largely ignored (Dai *et al.*, 2013). Our findings suggest that in hotel management, both leadership styles play an important role. However, the distinction between the leadership styles has been shown to be more problematic than proponents of the theory at first envisaged since the perception of how behaviours are classified between transformational and transactional has been shown to be culturally variable (Bealer and Bhanugopan, 2014).

However, the CVF effectiveness construct is even more complex. Quinn and Rohrbaugh (1983) intended their spatial model of effectiveness as a model of the idea of effectiveness in the minds of the panel of experts, representative of researchers in the field, rather than as a model of something existing in independent concrete reality. In this way, their view of the construct of effectiveness is rather like Weber's *ideal type* (Weber, 1964) or Deleuze's *diagram* (DeLanda, 2006). This ideal nature of effectiveness in CVF has substantially been lost sight of by subsequent researchers.

Quinn and Rohrbaugh (1983) pointed out that effectiveness is a construct which is composed from a collection of inferences, based on observation and at a high level of abstraction

(Nazarian *et al.*, 2017). A problem that arises from the abstract and elaborate nature of effectiveness is that it is difficult to arrive at a definitive list of components that everyone can agree upon. They approached this problem of defining effectiveness by first taking a list of factors of effectiveness which had been compiled by a review of the literature on the subject by Campbell (1977) and Quinn and Rohrbaugh (1983). They then assembled a panel of experts in the field to review the list for appropriateness and then identify criteria of similarity, which were then used to identify dimensions for the construct.

In Quinn and Rohrbaugh's (1983) model of effectiveness, CVF is explicitly stated to be consistent with Parsons's AGIL (adaptation, goal attainment, integration and latency) model (Parsons *et al.*, 1953) of social forces for the analysis of social entities and they seem to have had this model in mind when designing their dimensions. In the CVF model, indices of effectiveness are differentiated using two axes, stability/flexibility and internal focus/external focus, resulting in four quadrants each giving a different focus of effectiveness, organisational culture and leadership style. Each of these quadrants is linked with the four social forces in Parsons's model. The ability to acquire resources falls into the external focus of the CVF model and the adaptation component of Parsons's model while the rewards mechanism falls into the internal focus of the CVF model and the latency component of Parsons's model (Parsons *et al.*, 1953). However, Parsons believed that culture played an important part in all four quadrants of his model and, therefore, they are all culturally variable (Ritzer and Stepinsky, 2014).

On making this comparison between the CVF model and the Parsonian model from which it was derived, it is apparent that the CVF model does not carry over the cultural factor from its Parsonian origin and ignores both organisational and national culture. Thus, the anomalous result of this study may be in part due to the differences in organisational culture between small and medium sized with large organisations (Cameron and Quinn, 2011; Nazarian *et al.*, 2015) or it may be due to the national culture of the managers (Hofstede *et al.*, 2010). The

demographic data in this survey indicates that most of the respondents immigrated to the Netherlands, mainly from North Africa and Far East Asia and, therefore, have a collectivist culture which is likely to be at odds with the expectations of bureaucratic organisational culture found in the West, and in multi-national hotel chains. Additionally, it may be due to the collectivistic nature of these national cultures that transactional and transformational leadership may coexist in a different relationship to Western countries (Uen *et al.*, 2012; Chen and Wu, 2017).

Thus, our study, which we expected only to show whether reward mechanisms and ability to acquire resources were significant in the relationships between the transformational and transactional leadership styles in the context of small and medium sized independent hotels in the Netherlands proved to have more significant implication than we expected.

Theoretical Implications

These results have important implications for scholars since they undermine the notion that the constructs of leadership and effectiveness used in this study have universal application. This adds to a growing body of literature that suggests Western assumptions and concepts are not necessarily applicable without modification in other contexts (Hofstede *et al.*, 2010; Oc, 2018) and another body of literature that suggests these assumptions and concepts are not necessarily applicable to smaller businesses. Our study does not clearly indicate if the anomalous results might be due to the contextual variability of the leadership construct, or the effectiveness construct, or both. Neither does it indicate if they might be due to the culture of origin of the managers in the sample. As we have indicated in our discussion, the absence of the element of culture in the components of CVF may be the source of our anomalous result. Further research is needed into the CVF model to establish if it needs modification so that it can be used reliably in a broad range of contexts. However, our results indicate that further investigation of these matters is urgently needed.

Practical Implications

The unexpected result that there is no direct relationship between either transformational or transactional leadership style and organisational effectiveness in the context of hotels in this study indicates that adoption of either of these leadership styles does not in itself generally impact effectiveness. The specific implication for managers of small and medium sized hotels is that they need to pay attention to specific factors to improve effectiveness. The general implication is that managers of small and medium sized hotels cannot assume they can automatically apply research findings from studies of larger hotels.

Since there is no direct effect of leadership style in general on effectiveness, managers need to focus on particular factors that are known to have an impact. We have identified two of these factors, reward mechanisms and ability to acquire resources, which these practitioners should use to influence effectiveness. The importance of focussing on specific factors rather than on style can be generalised to other locations than that of this study in view of research that shows that perceptions of whether a particular behaviour is transformational or transactional is culturally variable (Bealer and Bhanugopan, 2014; Buil *et al.*, 2018). However, further research is required to understand how the factors that intermediate between leadership style and effectiveness work in more detail and identify other significant factors, and any relationships there may be between them.

Limitations and Further Studies

The aim of this research is to help managers of small and medium sized independent hotels to find the best management approach to increase organisational effectiveness. In fulfilling this aim our study makes several significant contributions both for practitioners and for scholars.

As is to be expected with a study of this kind, its main limitation is the data. The sample represents a population of small and medium sized independent hotels in the Netherlands,

which is a small segment of the whole hotel industry. However, this limitation of our study is, paradoxically, also its strength. Our sample produced unexpected results which may be due to its representing small and medium sized hotels or may be due to the respondents having originated in developing countries, or a combination of these. Instead of dismissing the surprising results from this unusual sample of data as outliers, we suggest that they give insight into the nature of the constructs themselves and their applicability in a range of contexts.

We suggest that further research is needed. Studies could be undertaken to investigate the influence of the national culture of managers in different sizes of organisation and in different locations. Additionally, our study suggests that further investigation is required to discover the best mix of transformational and transactional leadership required to maximise effectiveness in different size categories of independent hotels. Finally, we recommend that studies should be done to find other intermediating variables between leadership and effectiveness over which managers can exercise control.

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Figure I: CVF Models of Effectiveness (adapted from Cameron and Quinn, 2011, p.53).

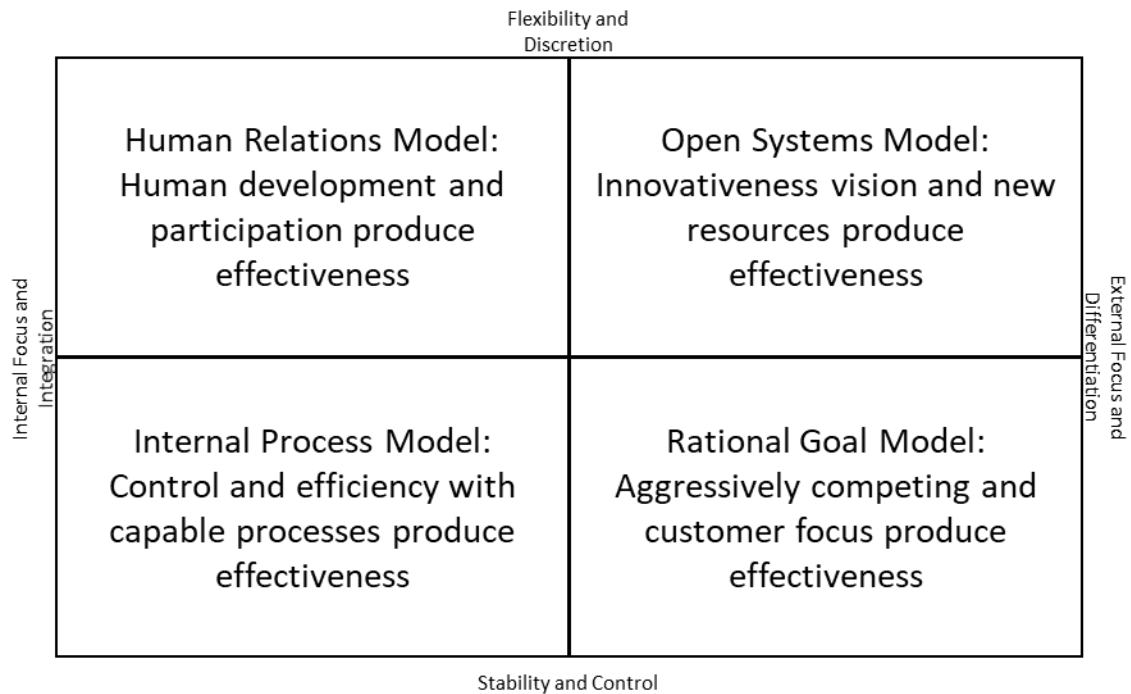


Figure II: The Conceptual Model

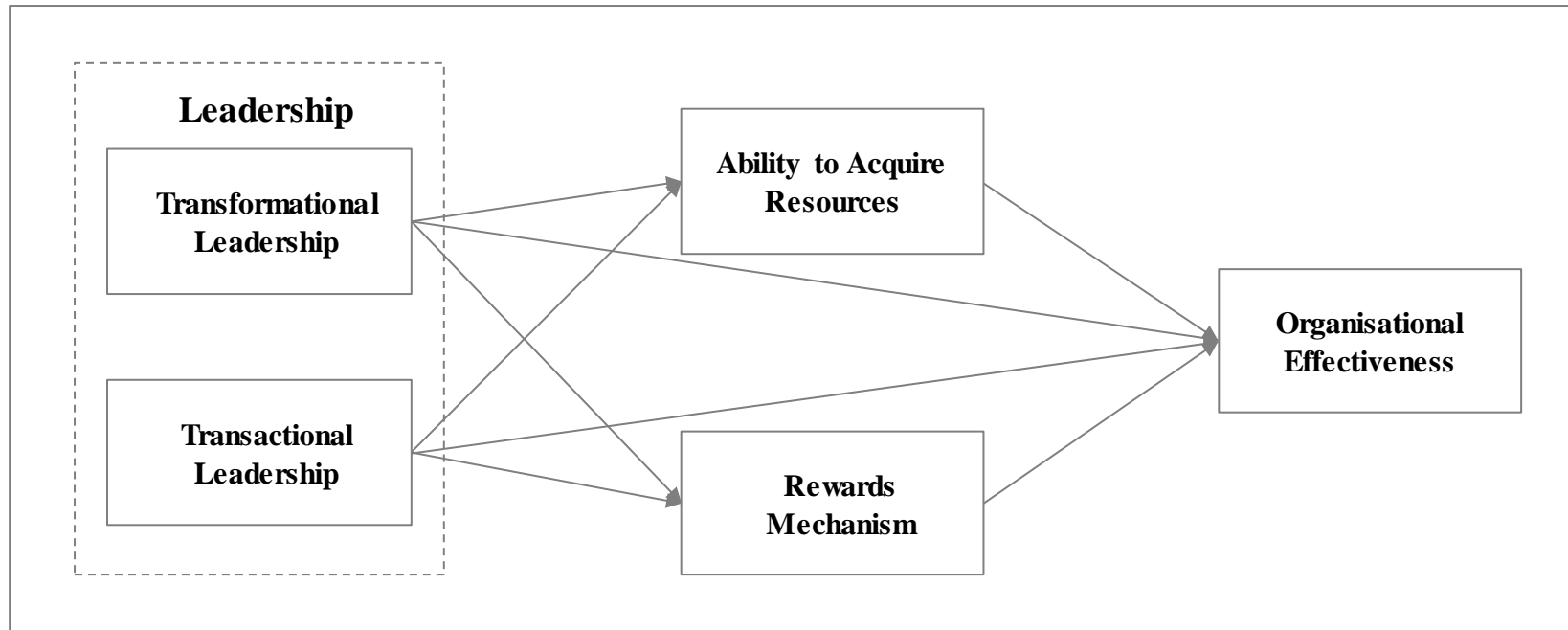


Figure III: Analysis of Conceptual Model

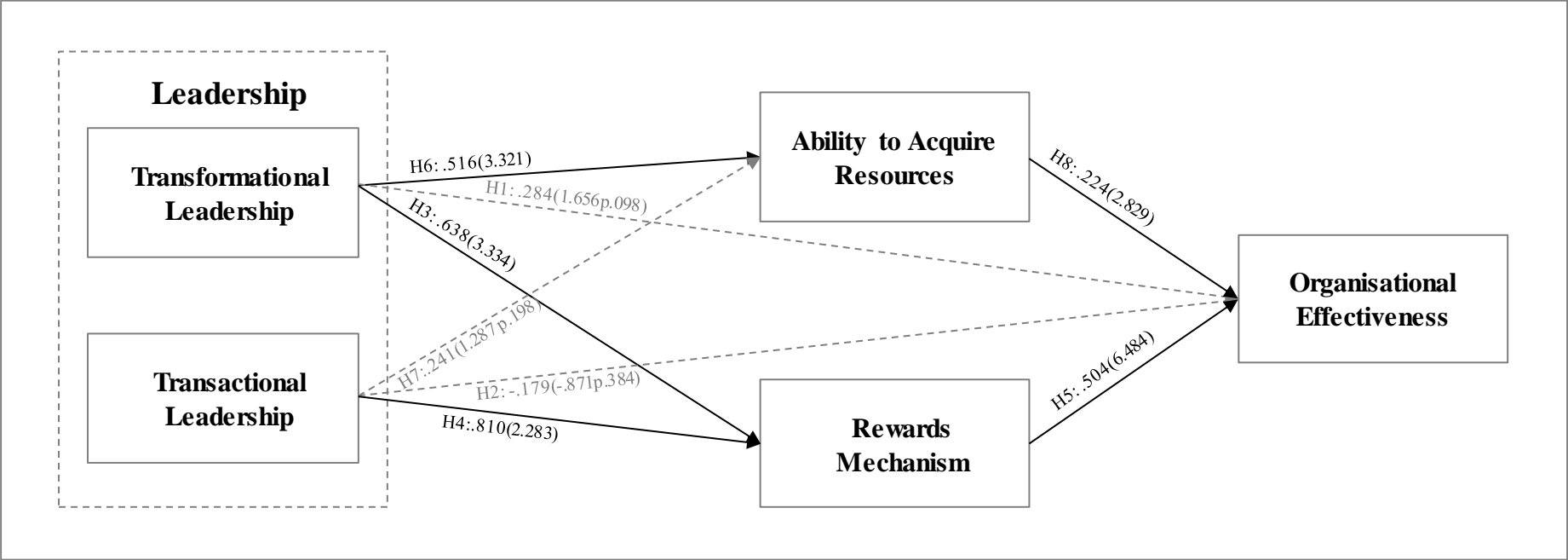


Table I: Demographic and Organisational Characteristics of Respondents

Characteristics		Relative frequency (%)	Frequency	Characteristics		Relative frequency (%)	Frequency
Gender				Age			
	Male	65.8	179		Under 25	8.8	24
	Female	34.2	93		25 Less than 34	44.5	121
Size of company					35 Less than 44	29.4	80
	Micro-Enterprise (less than 10 Employees)	8.5	23		45 Less than 54	9.6	26
	Small (Between 10-49 Employees)	36.8	100		55 Less than 64	6.6	18
	Medium (Between 50-259 Employees)	54.8	149		65 and above	1.1	3
Education				Job position			
	A-level and below	1.1	3		CEO	26.1	71
	Colleges	16.2	44		Senior Management	29.4	80
	Undergraduate	36.0	98		Middle Management	18.8	51
	Masters	36.4	99		Junior Management	15.1	41
	PhD Degree	10.3	28		Supervisor	10.7	29

Table II: Study constructs, scale items, descriptive statistics, factor loadings and reliabilities

		Mean	Std. Dev.	Loading Path	Cronbach's α	AVE	CR
Leadership							
TFRM 9 removed	Transformational				0.842	0.618	0.904
	TFRM1	2.74	0.991	0.733			
	TFRM2	3.03	0.985	0.682			
	TFRM3	2.99	1.033	0.779			
	TFRM4	3.06	0.933	0.703			
	TFRM5	3.31	1.045	0.808			
	TFRM6	3.2	0.888	0.797			
	TFRM7	3.04	0.932	0.809			
	TFRM8	3.11	1.025	0.824			
	TFRM10	3.16	0.965	0.811			
	TFRM11	2.92	0.879	0.805			
	TFRM12	3.17	1.124	0.85			
	TFRM13	3.07	1.074	0.812			
	Transactional				0.766	0.772	0.815
	TSA1	2.67	1.242	0.914			
	TSA2	2.71	1.254	0.91			
	TSA3	2.94	1.052	0.874			
	TSA4	2.8	0.963	0.852			
	TSA5	2.78	0.886	0.842			
Ability to Acquire Resources					0.833	0.713	0.717
	ATAR1	3.99		0.844			
	ATAR2	4.51		0.863			
	ATAR3	4.45		0.826			
Rewards System					0.858	0.619	0.702
	OH1	4.57	1.596	0.759			
	OH2	4.1	1.395	0.841			

	OH2	4.1	1.395	0.841			
	OH3	4.43	1.635	0.757			
Organisational Effectiveness					0.969	0.763	0.887
	OE1	4.3	1.531	0.874			
	OE3	4.63	1.59	0.897			
OE2, OE4, and OE5 removed	OE6	4.66	1.56	0.891			
	OE7	4.55	1.602	0.884			
	OE8	4.37	1.517	0.898			
	OE9	4.41	1.551	0.857			
	OE10	4.86	1.59	0.846			
	OE11	4.55	1.609	0.881			
	OE12	5.01	1.503	0.831			

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Table III: Descriptive statistics and correlation matrix

	Transfor.	Transac.	Ability to Acq. Res.	Reward &Punish.	Org. Effec.	Gende r	Age	Size of Com.	Edu.	Job Pos.
Transformational	1									
Transactional	.131*	1								
Ability to Acquire Resources	.191**	.113*	1							
Reward and Punishment	.284**	.268**	.187**	1						
Organisational Effectiveness	.265**	.100*	.265**	.485**	1					
Gender	-.060	-.048	-.045	-.073	-.080	1				
Age	.093	.131*	-.028	.092	.166**	.011	1			
Size of company	-.057	.093	-.039	-.012	-.089	-.017	.101*	1		
Education	.180**	.071	.010	.095	.107*	.035	.083	-.096	1	
Job position	.155**	.075	.011	.015	.145**	-.029	.489**	-.016	.273* *	1

+ P 0.05.

* P < 0.05 (two-tailed test).

** P < 0.01 (two-tailed test).

*** P < 0.001 (two-tailed test).

Table IV: Standardized Structural Results

Constructs relationships				Estimate	S.E.	C.R.	P	
H1	Transformational	-- ->	Organisational Effectiveness	.284	.172	1.656	.098	Not- Accepted
H2	Transactional	-- ->	Organisational Effectiveness	-.179	.206	-.871	.384	Not- Accepted
H3	Transformational	-- ->	Reward Mechanisms	.638	.191	3.334	***	Accepted
H4	Transactional	-- ->	Reward Mechanisms	.810	.355	2.283	.022	Accepted
H5	Reward Mechanisms	-- ->	Organisational Effectiveness	.504	.078	6.484	***	Accepted
H6	Transformational	-- ->	Ability to Acquire Resources	.516	.155	3.321	***	Accepted
H7	Transactional	-- ->	Ability to Acquire Resources	.241	.187	1.287	.198	Not- Accepted
H8	Ability to Acquire Resources	-- ->	Organisational Effectiveness	.224	.079	2.829	.005	Accepted

APPENDIX

Measurement items of the theoretical constructs and the codes

Construct	Item measurement	Code
Leadership		
Bass and Avolio (1997)	Transformational	
	Instil pride in others for being associated with us	TFRM1
	Acts in ways that builds respect	TFRM2
	Talks about the most important values and beliefs	TFRM3
	Specifies the importance of having a strong sense of purpose	TFRM4
	Considers the moral and ethical consequences of decisions	TFRM5
	Talks optimistically about the future	TFRM6
	Talks enthusiastically about what needs to be accomplished	TFRM7
	Articulates a compelling vision of the future	TFRM8
	Re-examines critical assumptions to question whether they are appropriate	TFRM9
	Seeks differing perspectives when solving problems	TFRM10
	Considers people as having different needs, abilities, and aspirations from others	TFRM11
	Treats people as an individual rather than just as a member of a group	TFRM12
		TFRM13
	Transactional	
	Provides people with assistance in exchange for their efforts	TSA1
	Discusses in specific terms who is responsible for achieving performance targets	TSA2
	Makes clear what one can expect to receive when performance goals are achieved	TSA3
	Expresses satisfaction when they meet expectations	TSA4
	Concentrates full attention on dealing with mistakes, complaints, and failures	TSA5
Ability to acquire resources		
Cameron (1978)	My Organisation does not miss opportunities at any levels.	ATAR1
	My Organisation can easily attract talented people.	ATAR2
	My Organisation is always looking for the best way of using limited resources.	ATAR3
Reward mechanisms		
Huselid (1995); Lawler (2003); Rynes et al. (2005)	Organisational rewards and promotion schemes are not only influenced by superior performance.	OH1
	In my organisation complaint about equity of treatment and rewards is decreasing.	OH2
	In our organisation performance-related rewards are treated seriously.	OH3
Organisational Effectiveness		
Cameron (1978); Quinn and Rohrbaugh (1983)	In my organisation the number of employee complaints about their job experience received at the organisation is decreasing.	OE1
	In my organisation the number of employee visit the consulting centre is decreasing.	OE2
	In my organisation employees are satisfied with their jobs and employment.	OE3
	In my organisation absenteeism of employee is decreasing.	OE4
	My organisation encourages teamwork among employees.	OE5
	In my organisation there is a good level of trust in the management's view of the workforce.	OE6
	My organisation believes that employees are more effective when working as a team.	OE7
	In my organisation training and development are greatly valued.	OE8
	Our organisation's prime goal is customer satisfaction.	OE9
	In my organisation high quality work is always expected from us.	OE10
	My organisation gives great emphasis on checking and focusing on quality in performance.	OE11
	In my organisation opportunities to access supporting facilities for non-professional activities is increasing.	OE12

